

Chapter 1

The Dairy Promotion Programs

In 2003, the National Dairy Promotion and Research Board (Dairy Board) and the National Fluid Milk Processor Promotion Board (Fluid Milk Board) continued to develop and implement programs to expand the human consumption of fluid milk and dairy products. While each promotion program has many unique activities, the two programs continued coordination of their fluid milk programs in 2003.

National Dairy Promotion and Research Board

The mission of the Dairy Board is to coordinate a promotion and research program that expands domestic and foreign markets for fluid milk and dairy products produced in the United States. The Dairy Board is responsible for administering the Dairy Promotion and Research Order (Dairy Order), developing plans and programs, and approving budgets. Its dairy farmer board of directors administers these plans and monitors the results of the programs.

The Secretary of Agriculture (Secretary) appoints 36 dairy farmers to administer the Dairy Order. The appointments are made from nominations submitted by producer organizations, general farm organizations, qualified State or regional dairy product promotion, research, or nutrition education programs (Qualified Programs), and by other means as determined by the Secretary (7 CFR §1150.133(a)). Dairy Board members serve 3-year terms and represent 1 of 13 regions in the contiguous 48 States. Dairy Board members elect four officers: Chair, Vice Chair, Treasurer, and Secretary. Current and past Dairy Board members are listed in Appendix A. A map of the contiguous 48 States depicting the 13 geographic regions is shown in Appendix C.

Total Dairy Board actual revenue for 2003 was \$86.2 million (including assessments and interest). This amount was less than the Dairy Board budget of \$94.3 million for that period. The Dairy Board amended its budget to \$88.3 million to reflect unrecognized revenue and the addition of program development funds. The Dairy Board budget for 2004 projects total revenue of \$87.1 million from domestic assessments and interest. The Dairy Board administrative budget continued to be within the 5-percent-of-revenue limitation required by the Dairy Order. A list of actual income and expenses for 2002–2003 is provided in Appendix D-1. USDA's oversight and evaluation expenses for 2002–2003 are listed in Appendix D-2. Appendix D-3 displays the Dairy Board's approved budgets and a comparison of program funding by function for 2003–2004. An independent auditor's report for 2003 is provided in Appendix E-1.

The Dairy Board has two standing committees: the Finance and Administration (F&A) Committee and the Executive Committee. The F&A Committee is made up of the Dairy Board officers and appointees named by the Dairy Board Chair. The Dairy Board Treasurer is the Chair of the F&A Committee, and the full Dairy Board serves as the Executive Committee. The remaining committees for the Dairy Board are joint program committees with the United Dairy Industry Association (UDIA).

In March 1994, the Dairy Board approved the creation of Dairy Management Inc.[™] (DMI). DMI is a joint undertaking between the Dairy Board and UDIA. UDIA is a federation of 18 of the 59 active Qualified Programs under the direction of a board of directors. DMI merged the staffs of the Dairy Board and UDIA to manage the Dairy Board programs as well as those of the American Dairy Association® and National Dairy Council® throughout the contiguous 48 States. DMI is a merger of the two separate program and administrative staffs into a single staff that serves both boards and is structured into five support groups. The nutrition, public, and corporate affairs group supports nutrition education and consumer affairs, board relations, and program implementation. The industry relations group provides outlets for news about dairy topics through media contacts as well as communications regarding the daily check-off program to producers and the rest of the industry. The strategic operations/finance and administration group handles program planning and communications, information services, membership development, and finance and accounting activities. The marketing and business development group supports retail channel development, marketing communications, advertising, research, analysis of domestic and foreign marketplaces, program effectiveness, consumption patterns, and consumer perceptions for effective program planning, implementation, and measurement. The export marketing group serves as a resource for U.S. dairy processors to improve export capabilities of the U.S. dairy industry.

Since January 1, 1995, the Dairy Board and UDIA have developed their marketing plans and programs through DMI. DMI facilitates the integration of producer promotion funds through a joint process of planning and program implementation so that the programs on the national, regional, State, and local level work together. The goals of DMI are to reduce administrative costs, to have a larger impact on the consumer, and to drive demand, thereby helping to increase human consumption of fluid milk and dairy products.

DMI funds 1- to 3-year research projects that support marketing efforts. Two Nutrition Institutes and six Dairy Foods Research Centers provide much of the research. Their locations and the research objectives are listed in Appendix G-1. Additionally, lists of DMI's dairy foods and nutrition projects can be found in Appendices G-2 and G-3, respectively. Universities and other industry researchers throughout the United States compete for these research contracts.

From its inception, the DMI Board of Directors consisted of 12 dairy farmers from the Dairy Board and 12 dairy farmers from the UDIA Board. An amendment to the articles of incorporation of DMI to expand the DMI Board size took effect January 1, 2001, and the expanded DMI Board (77) now comprises all Dairy Board (36) and all UDIA Board (41) members.

The committees for program activities are comprised of board members from both the Dairy Board and UDIA Board. The Dairy Board and UDIA Board separately must approve the DMI budget and annual plan before they can be implemented. In November 2002, both boards approved the 2003 unified dairy promotion plan budget and national implementation programs. Similar to previous plans, the 2003 unified dairy promotion plan continued to support the

underlying theme of investing dollars where consumers are – not where dairy cows are. The unified dairy promotion plan was consistently implemented in the top 150 demand-building consumer markets nationwide.

During 2003, DMI continued to host dairy director regional planning forums across the country to review and develop marketing strategies for development of the unified dairy promotion plan. These forums were originally designed to create *one* unified dairy promotion plan and allow opportunity for State and regional dairy board members to ask questions, raise concerns, and offer their thinking on the direction and development of a unified dairy promotion plan.

At the 2003 forums, dairy directors across the country reviewed and endorsed five strategic platforms to help drive dairy demand in 2004 and beyond. These five platforms included: (1) The Marketing Channels platform, which features key partnerships with retail grocery chains, national restaurant chains, and food manufacturers; (2) the Childhood Nutrition platform, which aims to make more flavors of milk in single-serve, plastic resealable containers available through the school feeding line, à la carte line, and vending; (3) the Innovation platform, which includes activities such as creating more extended shelf life dairy products and other emerging technologies for dairy ingredients, including cheese, whey, and dry milk; (4) the Dairy Image platform, which will help maintain and enhance consumer confidence in dairy products and dairy farming; and (5) the Export Marketing platform, which includes demand-building market development and expansion programs in Latin America, the Pacific Rim, Mexico, and other global markets. Dairy producer organizations also endorsed further penetration of the “New Look of School Milk” program into U.S. elementary and secondary schools and full program support and integration of the 3-A-Day™ of Dairy for Stronger Bones marketing and nutrition education program.

The above-mentioned endorsements were all built upon the 2002 forum results, which emphasized programs with less reliance upon television advertising, continuance of successful foodservice and retail activities, the need for heavier focus on kids and school milk problems, more focus on industry partnerships, and stronger, more proactive image protection of dairy products. Combined spending for the unified marketing plan totaled more than \$250 million in 2003.

The joint Dairy Board and UDIA Board committee structure provides the framework for DMI program activities. The Dairy Board and UDIA Board Chairs assign their respective board members to the following joint program committees: Cheese, Communications and Technology, Export and Dry Ingredients, and Fluid Milk. Each committee elects a Chair and a Vice-Chair. The joint committees and the DMI staff are responsible for setting program priorities, planning activities and projects, and evaluating results. The Joint Evaluation Committee continued to operate in 2003. The Joint Industry Partnering Committee, created in 2000 to provide ongoing direction and guidance to DMI on industry partnering opportunities, was dissolved. Industry partnering opportunities are now evaluated during the DMI program planning and development process, and the committee is no longer necessary. During 2003, the Dairy Board and UDIA Board met jointly four times.

The following information describes the program activities for each committee along with new programs and initiatives implemented in 2003.

3-A-Day™ of Dairy for Stronger Bones

3-A-Day™ of Dairy for Stronger Bones (3-A-Day™) marketing and nutrition education campaign was officially launched on March 3, 2003. The program objectives are to increase total consumption of dairy products and reinforce dairy as the leading source of calcium by providing simple guidance about dairy food selections. The development of the program was a joint dairy industry effort led by DMI. A key component of the 3-A-Day™ program is the logo, which appears on packages and labels of milk, cheese, and yogurt products containing 20 percent or more of the daily value of calcium.



The 3-A-Day™ program also included a substantial print advertising component targeted at both consumers and the health professional media. National full-color print advertisements ran in *People* and *USA Today*, in addition to magazine articles, e-newsletters, and advertorials. The combined audience reach for these activities was over 26 million consumers. At retail, Wal-Mart Supercenters held sampling events featuring six different milk, cheese, and yogurt products to kick off 3-A-Day™ of Dairy Week. Wal-Mart also ran 3-A-Day™ of Dairy 30-second in-store radio and television spots.

Another critical component of the 3-A-Day™ campaign was its health professional outreach component. To complement the campaign, the American Academy of Family Physicians, the American Academy of Pediatrics, the American Dietetic Association, and the National Medical Association signed on to partner with DMI and 3-A-Day™. By working together with these key health professional partners, DMI was able to provide a clear, practical message to the public on the importance of dealing with the Nation's calcium crisis. In addition, leaders from these four organizations, along with other nutrition experts, make up DMI's 3-A-Day™ advisory panel. The panel helps to guide the overall campaign, as well as nutrition philosophy and principles.

Cheese

The DMI cheese campaign "Ahh, the power of cheese™," continued to promote cheese directly toward "Cheese Lovers," with an emphasis on cheese "Cravers" and cheese "Enhancers." Cheese "Cravers" eat cheese primarily "as is," directly out of the package or off the block, and consume cheese as an important component of their food consumption routine. Cheese "Enhancers" have equally positive attitudes toward cheese but their consumption primarily takes the form of cheese as an ingredient in meal preparation. As in previous years, the DMI cheese television advertising campaign was recognized for creative excellence, winning numerous awards. DMI's 2003 cheese advertising included two television commercials and one print execution. The television commercials, "Piñata" and "Closing up Shop," were targeted to reach entertainment, sports, and family-oriented cheese lovers during morning programming, prime time, and late-night talk shows as well as on cable and cable sports. DMI cheese print

advertising included a reprint of a previous ad, “Football,” which was featured in *Sports Illustrated’s NFL Football Preview* issue and *People Magazine*.

As in previous years, the cheese marketing effort included major retail co-marketing programs implemented in supermarkets representing more than 60 percent of U.S. retail grocery sales volume. These accounts included large national accounts such as Kroger, Wal-Mart Supercenters, Safeway, and Albertsons. In these efforts, DMI provides retailer-customized media (television, radio, or direct mail) and in-store sampling, which are combined with the retailer’s own advertising and merchandising support to drive cheese sales. Research has consistently shown that these co-marketing programs contribute to increased cheese category volume in participating stores.

In September 2003, DMI announced its third annual Cheese Advisory Panel (CAP), comprised of six leading chefs from around the country, to spotlight American cows’ milk cheeses. CAP members participated in a series of activities aimed at increasing awareness of high-quality American cheese and cheesemakers. Throughout the year, CAP members created innovative recipes with a variety of artisanal American cheeses that appeared on restaurant menus nationwide.

DMI also worked closely with top national restaurant chains, including Pizza Hut® and Wendy’s®, to drive cheese volume and ensure that cheese was featured prominently in menu items. For example, Wendy’s® introduced two new sandwiches, the Wild Mountain Chicken sandwich and the Wild Mountain Bacon Cheeseburger, nationwide. Both included a slice of natural Colby-Jack cheese and a smoky Southwestern pepper sauce. These new menu items were developed through a partnership between DMI and Wendy’s® that tested consumer acceptance of these sandwiches in select test markets.

DMI also continued to execute a comprehensive product publicity program for cheese in 2003 that leveraged the “Ahh, the power of Cheese” advertising campaign. The publicity program received three national and two regional awards from industry groups for its excellence in public relations. The DMI public relations campaign won a Publicity Club of Chicago Silver Trumpet Award, the “Cheese Country or Bust” press kit received a Silver Trumpet and MerComm Bronze Mercury Awards, and “Cheese Chatter” received a Communicator Award of Distinction. Popular cheese publicity highlights included the programs “Meltertaining” and “Gift of Cheese.” “Meltertaining” garnered its own section on the Web site www.ilovecheese.com, featuring an entire microsite devoted to this new entertaining trend. Also, consumers were able to receive a free “meltertaining” brochure entitled “*Tantalizing Tales of Cheese*.” The brochure highlighted dozens of meltertaining recipes and tips. The publicity program “Gift of Cheese” helped drive retail cheese purchases and consumption by leveraging broadcast advertising. Other strategies for achieving these objectives were to promote easy cheese recipes for holiday entertaining and to promote cheese as the gift of choice for holiday and other gift-giving occasions throughout the year. This successful program also included a partnership with Woodbridge Wines by Robert Mondavi, which featured brochures recommending cheese and wine combinations and pairings for any occasion.

Web site www.ilovecheese.com continued to operate in 2003. Mainstay “Cheese Chatter,” a free monthly e-newsletter about current cheese news, recipes, and savings for cheese lovers, continued to be sent to all www.ilovecheese.com members and chatter subscribers. New to www.ilovecheese.com was the “Cheese Chatter Test Kitchen Panel,” which is a group of cheese lovers who volunteer to create and test new recipes for the Web site. Each panelist comments on ease of preparation and overall taste of the recipes, and the reviews are posted on the Web site. The Web site continued to post high-traffic numbers throughout the entire year. Also, the interactive “Cheese Profiler Survey” and the “Snackulator” continued to assist Web site visitors in determining which cheeses best fit their lifestyle and to suggest appealing meal combinations and recipes.

Communications and Technology

Consumers receive mixed messages through the media about the nutritional value and benefits of food. DMI worked to provide consumers with education and information based on sound nutritional science and communicated the value of dairy products to consumers as well as to health professionals and educators. DMI also worked to inform dairy farmers about how their assessment dollars were being used. The organization continued to communicate to dairy producers and other industry audiences through publications (such as the annual report, joint newsletters with State and regional dairy promotion groups, and dairy cooperative check stuffers), dairy industry events (including major trade shows and producer meetings) and media relations (including press releases, feature placement, and farm broadcast interviews). For the sixth year, DMI continued its “Dairy Ambassadors” program, which uses a group of board members who are also dairy producers to deliver consistent messages about the dairy promotion program to producers and other industry audiences.

DMI continued its support for butter through cooperation and public relations activities with the American Butter Institute, including the Web site www.butterisbest.com, a consumer resource center with current cooking trends and ideas, butter recipes, and links to other butter-related Web sites. DMI also completed its second year of co-funded retail butter promotion activities with the California Milk Advisory Board in 2003. This effort continued to help to drive incremental retail butter sales in several markets across the Western United States.

Another activity of the Communications and Technology program was the issues management program. The objective of this program was to identify, monitor, and manage key issues that may influence consumer perceptions of dairy products. DMI coordinated its issues management activities with State and regional dairy promotion groups as well as with other dairy and agricultural groups. The organization worked with these groups to bring forth sound, science-based information to address consumer issues. Dairy Reputation Management, an industrywide effort that interacts with the Issues Management, Industry Relations, and Dairy Image Programs, continued a proactive program to educate consumers and to reinforce the positive attributes of dairy foods, dairy farmers, and dairy farming practices to this audience.

The Dairy Confidence Campaign, designed and initiated in 2001 to enhance existing dairy image and issues management programs, continued in 2003. Important 2003 accomplishments

included refinement of its industrywide crisis communications and preparedness plan to address a potential animal disease outbreak in the United States. On December 23, 2003, this plan was implemented nationwide in response to a situation in which a dairy cow in Washington State tested positive for the disease bovine spongiform encephalopathy, or BSE. With a comprehensive preparedness plan already in place, the dairy industry was able to quickly activate its crisis network, assemble industry communicators, and disseminate key messages and other pertinent information. These efforts helped to protect dairy's image by assuring consumers of a continued safe, wholesome supply of milk and dairy products. Other support activities of the Dairy Confidence Campaign included updating a Web site for producers and consumers, which was also used during the BSE crisis. Additional research was conducted to better understand consumer perceptions and concerns regarding animal health and safety issues.

Farmer-funded nutrition research continues to demonstrate that dairy products are a necessary food component in the diet of all people throughout the human life cycle. Research continues to focus on improving childhood nutrition and on identifying diseases that may see decreasing occurrences as a result of consuming dairy foods.

Additionally, ongoing nutrition research continues to validate discoveries about the potential benefits of dairy food consumption in reducing obesity. With continued emergence of research and breakthroughs demonstrating a positive role of dairy in the reduction of obesity and related diseases, DMI launched the Healthy Weight With Dairy Campaign in October 2003. The purpose of the initial roll-out was to increase the public's and health professional community's awareness of the emerging science supporting a connection between weight loss and consumption of dairy products. For the launch, the Web site www.healthyweightwithdairy.com was unveiled, print advertisements began running in national magazines and newspapers, and various public relations activities were executed nationwide. The newly launched Web site gives consumers and health professionals access to medical research and other scientific information supporting dairy's role in healthy weight, commentary from nutrition researchers and dietitians, weight loss tips, recipes, links to easy-to-use weight management tools, and a body mass index calculator. In 2004, the Healthy Weight with Dairy campaign will be supported with national television and print advertisements, national retail promotion activity, public relations, and more online content.

Export and Dry Ingredients

DMI's export enhancement program is implemented by the U.S. Dairy Export Council (USDEC). USDEC receives primary funding from three sources: DMI, USDA's Foreign Agricultural Service (FAS), and membership dues from dairy cooperatives, processors, exporters, and suppliers. In 2003, USDEC received \$7.1 million from DMI; \$3.4 million from USDA's Market Access Program and the Foreign Market Development Program, which support commodity groups in promotion of their commodities in foreign markets; and \$679,000 from membership dues. USDEC is in its eighth year of operation, and its total budget was \$11.7 million.

USDEC has offices in Mexico City, Tokyo, Seoul, Hong Kong, Shanghai, Bangkok, Taipei, London, and Sao Paulo. In 2003, Mexico and Canada were the largest markets for U.S. dairy products, accounting for nearly half of export sales. Exports to Mexico, the Caribbean, Central America, and the Middle East all posted sizable gains in 2003. Small increases were recorded in sales to Southeast Asia and South Korea. Exports to Japan, China, and South Korea decreased in 2003.

Final 2003 export data confirm that U.S. dairy product exports reached \$1.07 billion in 2003, up 4 percent from the prior year and the fourth straight year in which dairy exports exceeded \$1 billion. Lactose was a success story in 2003, posting a 21 percent increase in export volume over the previous year. Exports of lactose to New Zealand and Australia, which are used mostly for the protein fortification of skim milk powder, doubled the previous year's volume. Sales of lactose to China, Mexico, South America, and Japan also posted significant gains.

Overall whey exports declined 6 percent on a volume basis, though they increased by 2 percent on a value basis. Exports of whey protein isolate nearly doubled, while whey protein concentrate and dry whey dropped modestly due to economic recession in key markets and a pullback in sales to the livestock sector. Cheese exports also declined 3 percent on a volume basis, with declines in sales to the Far East and South America. Cheese exports to Mexico increased, due in part to exporter commitment and successful USDEC promotional and market development activities.

Specific 2003 promotions included in-store retail promotions and sampling in supermarkets, joint promotions with food service companies, quarterly trade newsletters, exhibits at trade fairs, and seminars about U.S. dairy products presented to the press, end-user, and food distributors. USDEC successfully partnered with retailers and foodservice operators in key markets on programs that showcased a value-added cachet of U.S. cheese. The USDEC logo was printed on pizza boxes for Domino's and Costco in Mexico, alerting consumers to the fact the pizza was topped with high-quality cheese from the United States. Also, in other cheese highlights, a "U.S. Cream Cheese Bakery Contest" in South Korea generated significant response from chefs nationwide and led to the publication of a cookbook of recipes. USDEC also worked with Japanese retailers to resolve supply problems with cup cream cheese and conducted new promotions to recapture previously lost sales.

USDEC continued working to improve the export capabilities of domestic dairy companies. The organization assists U.S. dairy exporters by providing up-to-date information on market conditions, global trade trends, and regulatory requirements for export. Ongoing reverse trade mission activities provide opportunities for domestic dairy product suppliers to meet potential importers visiting the United States.

Nonfat dry milk and whey promotion efforts were conducted via advertising, public relations, trade shows, and the Web site www.doitwithdairy.com. The advertising theme "Do it with Dairy®" was utilized throughout all activities. The "Do it with Dairy" ingredient marketing campaign reaches the food manufacturing/processing industry with key market-driven whey research results and usage messages. Several newsletters and other publications support this

program. “Dairy Dimensions,” a quarterly newsletter, focuses on developments in dairy technology research. “Dairy Ingredients Insider” is a newsletter in which dairy ingredient suppliers are able to track buyer attitudes, behaviors, buying patterns, and product development plans. The latter has become a key planning tool for some suppliers, as it enables them to effectively utilize and leverage market research developed by DMI.

DMI’s Product Innovation/Research and Nutrition Research group hosted the 2003 Product Innovation Forum (Forum) in Scottsdale, Arizona. The goal of the Forum was to spur innovation within the dairy industry and to elicit input and feedback from industry on the current and future direction of program planning. The Forum attracted more than 130 participants and included industry representatives such as ingredient suppliers, dairy processors and cooperatives, State and regional representatives, Government officials, food manufacturers, and university researchers. The attendees provided feedback that will be integrated into a variety of strategies as part of the effort to increase awareness and usage of whey and dry milk ingredients. The agenda covered a number of critical topics, including consumer and market trends; product and nutrition research; the 3-A-Day™ of Dairy for Stronger Bones program; and the School Milk Pilot Test results. There was also panel discussion that covered a broad range of current issues in the dairy product and ingredient industry.

Also, for the fifth straight year, DMI sponsored the Discoveries in Dairy Ingredients Contest. The contest allows undergraduate college students to develop an innovative food product formulation using dry milk, whey, or whey derivatives such as whey protein concentrate and whey protein isolate. The contest has a dual purpose – to highlight the versatility and functionality of dairy ingredients while at the same time providing food science students with practical, marketable experience. The three prize categories include the Best Overall Product Award, the Product Marketability Award, and the Product Creativity Award. Winning entries were featured at the 2003 Institute of Food Technologists Food Expo. The winning products included (1) frozen Parmesan cheese rolls, (2) fruit-flavored string cheese, and (3) freeze-dried yogurt cereal.

“Ingredient Insights,” a newsletter designed expressly for food formulators and ingredient suppliers, continues to provide news about dairy ingredients, specific applications, and technical support resources. As part of this program, DMI provides ingredient technical support systems for food technologists. The system features four tiers, enabling food technologists to request the level of support they find the most useful. The options range from requesting technical information via FAX-ON-DEMAND to direct dialogue with a researcher.

“Innovations in Dairy,” a technical bulletin that details new dairy science and technology information and research, is executed through a series of authoritative, topical updates written from a practical perspective for the lay reader.

Research continues to focus on nonfat dry milk and whey in the areas of functionality, quality, packaging, and new applications. In addition, the application laboratory for nonfat dry milk at California Polytechnic State University and the whey application laboratory at the University of

Wisconsin Center for Dairy Research continued to provide technical assistance to both those that produce the ingredients and those that use the ingredients in finished products. The Web site www.extraordinarydairy.com provides a network of resources and information to help the dairy and food industries bring innovative products, formulations, and processes to market.

Researchers are exploring additional health benefits of whey. Preclinical (nonhuman) trials are currently investigating the role of specific whey proteins in reducing the risk of certain types of cancer, including breast and prostate cancer, and research trials are investigating a potential link between whey proteins and reduced risk of hypertension. In addition, specific whey proteins have shown antibacterial properties. In the future, this may lead to whey's use as an ingredient in addressing potential food safety concerns with certain perishable foods such as meats or produce.

Research/National Dairy Council®

The National Dairy Council® (NDC), the nutrition marketing arm of DMI, has been the leader in dairy nutrition research, education, and communication since 1915. NDC provides timely, scientifically sound nutrition information to the media, physicians, dietitians, nurses, educators, consumers, and other health professionals.

DMI has continued to work closely with foodservice professionals and milk processors vis-à-vis the benefits of offering an enhanced milk product in the school cafeteria. The foundation of these efforts is comprised of the results of a year-long School Milk Pilot Test conducted in 2002. More than 330 schools, representing more than 300,000 students nationwide, now offer milk in single-serve plastic resealable containers on the school meal line. This number is growing as NDC continues to implement its "New Look of School Milk" initiative. In 2004, the Fluid Milk Board will begin an education program to educate milk processors about the benefits of offering an enhanced milk product in the Nation's elementary and secondary schools.



The National Dairy Council® also has continued its active support of and participation in the Action For Healthy Kids (AFHK) initiative. Chaired by former U.S. Surgeon General David Satcher, AFHK was created in response to the Healthy Schools Summit in 2002. Its mission is to inform, motivate, and mobilize schools, school districts, and States to chart a healthier course for the Nation's children and adolescents. In September, National Football League officials announced their intent to provide a multiyear grant to AFHK in the amount of \$2 million over the next 4 years. AFHK is comprised of 51 State teams (including all States and the District of Columbia) and a partnership of more than 38 national organizations and Government agencies spanning education, health, fitness, and nutrition arenas. State teams are made up of a diverse base of volunteers, all working to improve nutrition and physical activity in schools at the State and local levels.



National Dairy Council®-funded dairy nutrition research highlights in 2003 included:

1. The role of dairy as part of a heart-healthy diet.
2. The role of calcium-rich dairy products in successful weight loss and maintenance.
3. Dairy's role in the prevention and reduction of colon cancer.
4. Dairy's role in weight management.

Fluid Milk

Information on fluid milk advertising, promotions, public relations, school marketing, strategic thinking, and other activities that include DMI, State and regional organizations, and the Fluid Milk Board is detailed in the national fluid milk program summary in this chapter.

Qualified State or Regional Dairy Product Promotion, Research, or Nutrition Education Programs

Qualified Programs are certified annually by the Secretary. To receive certification, the Qualified Program must (1) conduct activities that are intended to increase human consumption of milk and dairy products generally; (2) have been active and ongoing before passage of the Dairy Act, except for programs operated under the laws of the United States or any State; (3) be primarily financed by producers, either individually or through cooperative associations; (4) not use a private brand or trade name in its advertising and promotion of dairy products (unless approved by the Dairy Board and USDA); and (5) not use program funds for the purpose of influencing governmental policy or action (7 CFR §1150.153). A list of the 59 active programs is provided in Appendix H.

The aggregate revenue from the producers' 15-cent per hundredweight assessment directed to the Qualified programs in 2003 was \$174 million (approximately 10 cents out of the 15-cent assessment). The Qualified Programs manage State or regional dairy product promotion, research, or nutrition education programs. See Table 1-1 and Table 1-2 for aggregate income and expenditure data of the Qualified Programs.

Some of these Qualified Programs participate in cooperative efforts conducted and coordinated by other Qualified Programs and/or other organizations such as DMI, the Dairy Board, and UDIA. Their goal in combining funding and coordinating projects is more effective and efficient management of producers' promotion dollars through larger, broad-based projects. For example, UDIA coordinates nationally through DMI the programs and resources of 18 federation members and their affiliated units to support the unified dairy promotion plan.

Table 1-1
Aggregate Income and Expenditure Data Reported to USDA
by the 59 Active Qualified Programs

	2002 (in \$000's)	2003 (in \$000's)
Income		
Carryover from Previous Years	48,553 ¹	46,938 ¹
Producer Remittances	172,590	174,892
Transfers from Other Qualified Programs ²	58,056	54,716
Transfers to Other Qualified Programs ²	-55,744	-57,109
Other ³	<u>4,111</u>	<u>3,910</u>
Total Adjusted Annual Income	227,566	223,347
Expenditures		
General and Administrative	7,620 [4.4%]	7,641 [4.6%]
Advertising and Sales Promotion	78,709 [45.0%]	70,688 [42.6%]
Unified Marketing Plan ⁴	50,974 [29.2%]	50,146 [30.2%]
Dairy Foods and Nutrition Research	4,519 [2.5%]	5,980 [3.6%]
Public and Industry Communications	13,048 [7.5%]	13,245 [8.0%]
Nutrition Education	16,727 [9.5%]	12,963 [7.8%]
Market and Economic Research	1,382 [0.8%]	1,568 [0.9%]
Other ⁵	<u>1,878 [1.1%]</u>	<u>3,742 [2.3%]</u>
Total Annual Expenditures	174,857 [100%]	165,973 [100%]
Total Available for Future Year Programs	52,709¹	57,374

¹ Differences are due to audit adjustments and varying accounting periods.

² Payments transferred between Qualified Programs differ due to different accounting methods and accounting periods.

³ Includes interest, income from processors and handlers, sales of supplies and materials, contributions, and rental income.

⁴ Unified Marketing Plan: Reported local spending by United Dairy Industry Association units participating in the DMI unified marketing plan to fund national implementation programs.

⁵ Includes capital expenses and contributions to universities and other organizations.

Source: Aggregate income and expenditure data reported by the 59 active Qualified Programs.

Table 1-2
Aggregate Advertising Expenditure Data Reported to USDA
by the 59 Active Qualified Programs

	2002 (in \$000's)	2003 (in \$000's)
Advertising Programs		
Fluid Milk	22,188 ¹ [28.2%]	17,701 ¹ [25.0%]
Cheese	52,318 ¹ [66.5%]	48,975 ¹ [69.3%]
Butter	134 [0.2%]	101 [0.1%]
Frozen Dairy Products	128 [0.1%]	117 [0.2%]
Other ²	<u>3,941</u> [5.0%]	<u>3,794</u> [5.4%]
Total	78,709 [100%]	70,688¹ [100%]

¹ Figure does not include local unified market plan advertising expenditures previously reported separately by individual UDIA units.

² Includes "Real Seal," holiday, multiproduct, calcium, evaporated milk, foodservice, product donations at State fairs, and other events and contributions for displays or promotional events.

Source: Aggregate income and expenditure data reported by the 59 active Qualified Programs.

National Fluid Milk Processor Promotion Board

The Fluid Milk Board, as authorized in the Fluid Milk Promotion Act of 1990 (Fluid Milk Act), administers a fluid milk promotion and consumer education program that is funded by fluid milk processors. The program is designed to educate Americans about the benefits of milk, increase fluid milk consumption, and maintain and expand markets and uses for fluid milk products in the contiguous 48 States and the District of Columbia.

The Secretary of Agriculture appoints 20 members to the Fluid Milk Board. Fifteen members are fluid milk processors who each represent a separate geographical region, and five are at-large members. Of the five at-large members, at least three must be fluid milk processors and at least one must be from the general public. Three fluid milk processors and two public members serve as at-large members on the current Fluid Milk Board. The members of the Fluid Milk Board serve 3-year terms and are eligible to be appointed to two consecutive terms. The Fluid Milk Promotion Order (Fluid Milk Order) also provides that no company shall be represented on the Board by more than three representatives. Current and past Fluid Milk Board members are listed in Appendix B. A map of the Fluid Milk Board regions is shown in Appendix C-2.

The Fluid Milk Board elects four officers: Chair, Vice-Chair, Secretary, and Treasurer. Fluid Milk Board members are assigned by the Chair to the following committees: Advertising, Finance, Promotions, Public Relations/Medical and Scientific, Research, and Strategic Thinking. The program committees are responsible for setting program priorities, planning activities and projects, and evaluating results. The Finance Committee reviews all program authorization requests for funding sufficiency, the Fluid Milk Board's independent financial audit, and the work of the Board's accounting firm. The Fluid Milk Board met four times during its 2003 fiscal year.

The National Fluid Milk Processor Promotion Program is funded by a 20-cent per hundredweight assessment on fluid milk products processed and marketed commercially in consumer-type packages in the contiguous 48 States and the District of Columbia. The program exempts from assessment those processors who process and market 3 million pounds or less of fluid milk products each month, excluding fluid milk products delivered to the residence of a consumer. Assessments generated \$106.5 million in 2003. The Fluid Milk Order requires the Fluid Milk Board to return 80 percent of the funds received from California processors to the California fluid milk processor promotion program. For 2003, the amount returned to California from the assessments was approximately \$10.2 million. The California fluid milk processor promotion program uses the funds to conduct its promotion activities, which include the "got milk?®" advertising campaign.

The actual income and expenses for 2002–2003 are provided in Appendix D-4. The Fluid Milk Board's administrative expenses continued to be within the 5-percent-of-assessments limitation required by the Fluid Milk Order. USDA's oversight and evaluation expenses for 2002–2003 are detailed in Appendix D-5. Appendix D-6 contains the Fluid Milk Board's approved budgets for 2003–2004. Appendix E-2 contains an independent auditor's reports for the period of January 1, 2003, through December 31, 2003.

The following summarizes Fluid Milk Board medical and scientific activities for the period of January 1, 2003, through December 31, 2003. The Fluid Milk Board's sponsorships, advertising, promotions, public relations, school marketing, and strategic thinking activities are incorporated in the National Fluid Milk Programs summary.

Medical and Scientific Activities

The Fluid Milk Board's Medical Advisory Board (MAB), comprised of academic, medical, and health care professionals with expertise relevant to the health benefits of fluid milk, met twice in 2003. The MAB provides guidance to the Fluid Milk Board's development of key nutritional and health messages for consumers and health professionals and also reviews nutrition and health messages for accuracy. MAB members assisted the Fluid Milk Board in forging relationships with health and health professional organizations such as the American Academy of Pediatrics, the American Dietetic Association, the American Heart Association, the National Cancer Institute, and the National Medical Association. They also appeared as medical professionals in the media, providing science-based statements supporting the health benefits of milk.

The medical and scientific activities of the Fluid Milk Board also included preparing press materials and acting as spokespersons on breaking research with relevance to fluid milk. The Fluid Milk Board created consumer and health professional materials to communicate current and emerging research in areas such as bone health, obesity, type-2 diabetes, and heart disease and to communicate the vital role milk plays in the diet of Americans. Also, the MAB worked extensively over the past year to inform others in the scientific community of the new and emerging research showing that three servings of dairy each day as part of a weight loss plan can help people lose weight by burning more fat. Numerous studies in the past 5 years have pointed to similar conclusions—that dairy foods and calcium may be important when addressing the issue of overweight and obesity. These communications and activities all continue to highlight milk's nutritional profile, which includes nine essential vitamins and minerals.

The Fluid Milk Board continued components of its "Good For You" campaign in 2003. The "Good For You" program's primary goal is to promote milk's nutritional benefits. The program continues to leverage breaking research with relevance to milk and is supported with advertising and public relations. Three print advertisements were created under this campaign in 2003. The focus of these advertisements was to inform consumers and the public about emerging research regarding the role dairy products may play in preventing weight gain and maintaining a healthy weight. The MAB was very involved in the development of messages in this area and helped the Fluid Milk Board explore ways to leverage the information in public relations and advertising messages.

The Fluid Milk Board also continued its lactose intolerance initiatives, which focus on educating African Americans and others on the importance of incorporating milk into their diets and why lactose intolerance should not be a barrier to including milk in the diet.

National Fluid Milk Programs

The Fluid Milk Board and DMI continued during 2003 to implement fluid milk marketing plans that are research based, message focused, and separately managed. The funding level of the fluid milk marketing efforts totaled approximately \$143 million, with \$47 million from DMI and State and regional organizations and about \$96 million from the Fluid Milk Board.

The purpose of national fluid milk programs is to positively change the attitudes and purchase behavior of the country regarding fluid milk. The 2003 fluid milk marketing plans were designed to continue marketing and promotional activities to promote and increase the consumption of fluid milk and to identify and support growth opportunities for the industry. Many communication media were used to accomplish this objective, including television and print advertising, public relations, promotions, and others. The program's target audiences include kids and young teen girls and boys 6–14; teen girls and boys 15–17; moms 18–52; and two specific ethnic target audiences—Hispanics and African Americans.

In 2003, the got milk?®/Milk Mustache advertising campaign, which provides the basis for advertising activities and other program delivery methods, was continued. A description of the 2003 program activities for the Fluid Milk Board and DMI follows.

Sponsorships

In 2003, the got milk?®/Milk Mustache campaign continued leveraging a multiyear partnership with Walt Disney Corporation. The sponsorship provides a unique opportunity to raise milk's image among teens and young adults by highlighting the message that milk is a great beverage of choice for active teens and for athletes of all ages. As part of the partnership, milk continued to be "the official training fuel" of Disney's Wide World of Sports™, and the "Milk House," a state-of-the-art facility that hosts more than 40 Amateur Athletic Union national championships annually, remained the centerpiece arena of the facility. The "Milk House" has positioned got milk?® signage and milk mustache posters prominently throughout the complex.

2003 brought the addition of television sports partner ESPN. Leveraging the "Milk House" equity, ESPN created 13 weekly 30-second vignettes featuring news from the "Milk House." The vignettes aired daily on the popular ESPN news show SportsCenter. Additionally, the Fluid Milk Board and ESPN sponsored a "Take it to the Milk House Sweepstakes" consumer contest, which offered the winner a trip to the "Milk House" for the sporting event of his/her choice. Contestants were able to enter online at www.ESPN.com or at ESPN Zone restaurants.

The Fluid Milk Board moved into the third year of its partnership with the National Basketball Association (NBA®) during 2003 as part of a multiyear sponsorship. Through this sponsorship, the Fluid Milk Board has an additional mechanism to reach teens with sports nutrition and growth messages. During this year's got milk?®/All-Star Rookie Challenge weekend, the winner of the got milk?®/NBA® "Rookie Reporter" contest received the opportunity to interview an NBA® player as part of the grand prize. The NBA®/got milk?® "Rookie of the Month" program,

which features monthly print advertisements with popular NBA® stars, continued to highlight the important nutrients that milk provides for active and growing bodies.

Advertising

The Fluid Milk Board and DMI advertising programs consist of television, print, and radio advertising as well as media-driven promotions. The advertisements highlight specific, relevant health-benefit messages about milk and its nutrient content, while media-driven promotions serve to extend the advertising campaign. DMI advertisements target kids and mothers with young children and focus on making milk “fun” and a “want to have beverage” by kids. 2003 kid television commercials included “Fun,” “Tug of War,” and “Tumble.”

The Fluid Milk Board’s chocolate milk “Shake Stuff Up” campaign continued in 2003 and included a new partnership with WB television network. The campaign featured the commercials “Pogo Stick,” “Mountain Bike,” and “Barcode,” all of which were created to communicate the unique taste of chocolate milk and remind teens how much they love the product. The advertisements feature teens shaking chocolate milk in unusual ways and having “fun” with chocolate milk to demonstrate the lengths to which teens will go to get it. The chocolate milk advertising campaign builds on the growing popularity and availability of single-serve flavored milk products.

The national Hispanic advertising campaign continued as part of industry outreach to the growing Hispanic population. The two Hispanic television commercials that were created and televised in 2003 were “Ballet” and “Soccer.” These commercials focus on the nutrient package that milk delivers, as both featured active children involved in physical activities as they are growing up, while mom, family, and friends watch them succeed. The advertisements’ tagline, “*Más leche, Más logro*” (“More milk, More achievement”) reminds moms of milk’s nutrients and the benefits of serving milk to their families. Hispanic print advertising featured celebrities and everyday Hispanic moms. These included Freddie Prinze, Jr., Myrka Dellanos and her daughter Olga Tañón, and “Star Mom” contest winner Dalia Barraza.

Targeting mothers with young children, the DMI “Celebrity Ode to Mom” radio campaign also continued in 2003. The campaign features celebrity singers giving thanks to their moms for giving them milk as children. New additions to the campaign included LeAnn Rimes and Smash Mouth. Spots featuring Ray Charles, Aretha Franklin, and Carlos Ponce, created in 2002, continued to air in 2003.

In addition, other television and print advertising continued to promote fluid milk. Of note, Nickelodeon and Cartoon Network produced several value-added, milk-focused print and television advertisements featuring several “kid-popular” cartoon characters as part of DMI’s overall media purchases. Nickelodeon produced a “SpongeBob Squarepants” television commercial and print advertisement as part of the Nickelodeon Milk Mustache Sweepstakes as well as a “Wild Thornberry’s” flavored-milk commercial. Cartoon Network also produced a “Dexter’s Laboratory” television commercial.

Various types of other fluid milk advertisements were produced in 2003. These included contest announcements and winners (8), outdoor advertisements (6), NBA® Rookies of the Month (7), “Moment” print advertisements (6), celebrity print advertisements (11), and “Good For You” print advertisements (3). Additional information regarding these advertisements can be found at www.milkpep.org and at www.whymilk.com.

Promotions

The Fluid Milk Board and DMI conduct promotions to increase fluid milk sales in retail outlets. The promotions work to move more milk out of the grocery store refrigerator and to increase sales in other retail outlets such as convenience stores, independent grocery stores, drug stores, and mass merchandisers. Some of the promotions work with partners to increase the appeal of the program as appropriate. After careful measurement of the results of previous years’ promotion strategies, promotion continued to focus on feature incentives, i.e., a promotion vehicle used to increase advertisements, displays of milk, and programs offering prizes directly to consumers to help drive incremental purchases.

The Fluid Milk Board and DMI conducted three national promotions in 2003. Two of the promotions resulted from DMI’s Kellogg’s/got milk?® Racing Team partnership. The first national promotion was done in cooperation with Pixar’s animated movie *Finding NEMO*, which was released over the Memorial Day weekend. The promotion offer invited consumers to “Buy 2 gallons of milk and 2 packages of specially marked Kellogg’s Rice Krispie Treats or select brands of Keebler cookies” and receive a giant inflatable “Bruce the Shark,” a character in the film. The second national promotion, “Fueled to the Finish,” featured a Kellogg’s/National Association of Stock Car Auto Racing (NASCAR) theme. The promotion offer invited consumers to “Buy 2 gallons of milk, 2 boxes of Kellogg’s brand cereal, mail in their proofs of purchase,” and receive NASCAR merchandise. Both promotions generated significant activity in the category, and retailers hailed the efforts of the industry to bring “excitement” to the dairy case.

The third promotion leveraged the Fluid Milk Board’s WB Network/Shake Stuff Up partnership in a 5-week, two-tiered program to promote flavored milk. The first tier of the national promotion invited consumers to “Buy any flavored milk, send in UPC codes plus shipping and handling” and receive a free compact disc featuring music heard on WB network along with other merchandise. The second tier of the promotion featured the “Watch and Win Sweepstakes,” where consumers were asked to “Watch the WB network and identify television show characters shaking up flavored milk and enter online” for a chance to win one of three trips to Los Angeles to visit the set of a WB network comedy show. Media support included print and television advertisements, got milk?® television spot tags, and online support at www.TheWBMilk.com, www.TheWB.com, and www.whymilk.com.

Public Relations

The public relations programs continued to focus on the nutritional benefits of milk, emerging scientific studies that highlight milk’s benefits, leveraging the high interest generated by the

celebrities and the got milk?®/Milk Mustache campaign, and preparing for and responding to misconceptions and negative news about milk or the educational campaign. A wide variety of initiatives were implemented to reach specific target audiences. Similar to previous years, over 1 billion media impressions were garnered through the integrated public relations program. The program also provided support for the three national retail promotions by helping to build public awareness and increase retailer participation.

For a second year, the Fluid Milk Board launched the “got milk?® 3v3 Soccer Shootout Tour” to remind American families about the importance of drinking milk for an active lifestyle and to position milk as nature’s sports drink with nine essential vitamins and minerals, including calcium and protein. The 4-month tour visited 50 cities nationwide. Similar to 2002, the theme for this year’s tour was another nationwide search for the “Ultimate Soccer Mom.” Kids had the opportunity to nominate their moms at each tour stop and at www.whymilk.com. The year’s winning mom, Amy Garff, received a new minivan, appeared in a Milk Mustache print advertisement with her two boys, and was given a trip to Walt Disney World along with her entire family.

For the sixth consecutive year, the Milk Mustache Mobile Tour made its way around the United States. This year’s program, the “Shake Stuff Up Tour 2003,” ran from March through October and again covered more than 100 cities nationwide. This year’s theme was again rock music, but the program included several enhancements to that of the previous year. A primary goal of the tour is to educate Americans (especially teens) about the nutritional and taste benefits of chocolate and other flavored milk. Two educational components of the tour were computer-based health assessments to test bone density and appearances by on-site fitness experts conducting health consultations and offering nutrition and fitness advice. Also, continuing a partnership with MTV and Rolling Stone magazine, the tour offered teens the chance to participate in a “battle of the bands” event and win prizes. One of the winning bands received professional studio time and an opportunity to post a song on www.mtv.com. Additionally, the tour karaoke station invited visitors to sport a chocolate milk mustache and sing a verse of their favorite song to be entered into a sweepstakes to win a trip to visit the set of an MTV television show. Robert Rudolph, the 2002 “Be a got milk?® Rock Star” was featured in his own got milk?® print advertisement in Rolling Stone magazine in 2003.

Partnering with Kraft Foods, DMI sponsored the “Mix it With Milk Jell-O” contest. The contest focused on increasing kids’ milk consumption by encouraging them to create their own new flavored milk drinks consisting of one glass of milk, any Jell-O Brand Gelatin or Instant Pudding flavors, and any other ingredient such as raspberry jam or marshmallows. The program ran from January through October. The grand prize winner received a \$10,000 college scholarship, a trip to the Institute of Culinary Education in New York, and a year’s supply of Jell-O Brand Gelatin Powder.

Brochures and other information on milk were made available to consumers through the Web site www.whymilk.com.

Strategic Thinking

The Fluid Milk Strategic Thinking Initiative (FMSTI) is a joint effort of the Fluid Milk Board, the Milk Industry Foundation, processors, and suppliers. This ongoing effort was established to address barriers to fluid milk consumption not targeted by the advertising, promotion, and public relations activities of the Fluid Milk Board and DMI.

FMSTI conducted market tests in milk and foodservice industries to develop proven ways to increase milk sales. With input from an advisory board of milk processors, foodservice distributors, and restaurant operators, market tests were commissioned to address a number of questions relating to the marketability of milk on the foodservice channel. In addition, FMSTI conducted a multichannel vending test to show new opportunities for milk to reach teens.

As part of the third and final phase of its foodservice test, FMSTI analyzed the effectiveness of a variety of visual and vocal cues used by each restaurant and its staff to encourage customers to order milk. These strategies included in-market promotions, point-of-sale purchase materials, and servers using verbal or visual reinforcement to encourage increased consumption. During the test, overall average sales increased by 42 percent.

Complete reports, studies, executive summaries, and press releases for FMSTI's ongoing initiatives are available on the Fluid Milk Board's Web site at www.milkplan.org.

School Marketing

The National Dairy Council® (www.nationaldairycouncil.org), whose operations are funded by DMI, works with school foodservice professionals and teachers to raise student awareness of the importance of having milk and dairy products as a part of a healthy lifestyle. As in 2002, several integrated milk programs were extended into schools through school foodservice professionals using posters and other tie-in activities.

A successful 2003 school promotion was "Shake Stuff Up." This promotion was conducted in schools during the same time period as a similar Fluid Milk Board retail promotion was being conducted in major retail chains across the United States. This allowed schools to leverage the excitement generated through retail chains to get the students more excited about flavored milk consumption in the school cafeteria. This promotion was implemented in more than 27,000 schools across the country and included cafeteria kits that featured posters and other exciting tools for foodservice directors to use in actively promoting milk consumption.

Reaching kids through the classroom with various programs continues to be the focus of nutrition education efforts. "Pyramid Café" and "Pyramid Explorations," targeted to the second and fourth grades, reach over 12 million students with messages that milk and dairy products are a key part of a healthy diet. Survey results continue to show a very high utilization rate for these two programs, currently at over 70 percent for the instructors that have the programs.

The combined Web sites www.familyfoodzone.com and www.nutritionexplorations.org continue to deliver valuable resources to teachers, school foodservice professionals, and consumers. The Web site includes lesson plans for educators, resources for school foodservice directors, ideas for smart eating for families, and fun activities for kids. In 2003, www.nutritionexplorations.org delivered more than 82,000 lesson plans and 4 million dairy impressions and also received another World Wide Web Health Award. The World Wide Web Health Awards, organized by the Health Information Resource Center, recognize the best health-related Web sites for consumers and professionals each year. This site has won the award every year since 1999.

Other Research

Additional 2003 milk-related nutrition and product research was continued in the following areas:

1. The role of milk and milk products in the prevention of colon cancer and reduction of blood pressure.
2. Establishing the genetic basis for the activity of probiotic cultures.
3. Demonstration of milk consumption by teens to meet their calcium needs without adversely affecting weight.
4. The contribution of dairy's nutrient package in the development and maintenance of strong bones.
5. Investigation of the added value of fortification through the use of probiotics, nutraceuticals, nutrient delivery, and flavor enhancement.
6. The impact of differing milk options and experiences in schools on childhood fluid milk consumption behavior and attitudes.